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Financial Performance Analysis of the India Cements Limited

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ABSTRACT

The India Cements Ltd. plays a key role in national economic development. Financial performance analysis is the process of determining the operating and financial characteristics of a firm from financial statements. This study attempts to measure the financial performance of The India Cements Ltd., which one of the largest and prominent Cement Company in India. The study is primarily based on the secondary data from financial reports for the period 2005-2014 of the India Cements Ltd and various materials and takes help of online source also. To analyze financial performance of the India Cements Ltd in terms of profitability, liquidity and credit performance here financial ratio analysis method used. These analyses helps to see the current performance condition of this company compare past performance. The findings of this paper can be helpful for management to improve their financial performance and can ensure sustainable growth for the company.

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INTRODUCTION

Finance is the life blood of business. The ambition and plans of a businessman would remain mere dreams unless adequate finance is available to carry out the plans. In the early stages of industrial development, production was labour intensive. Production was carried on with the help of in expensive tools and equipment's and the methods of production were also simple. But nowadays the production is capital intensive. The methods of production have become complex and the tools and equipment's have become more expensive. Therefore finance plays an important role in the development of industries.

Like any other functional management in a firm (such as production, marketing etc,)"Finance" is a vital functional organ of the firm. If the finance function does not operate well, the whole organizational activity will be ruined. In efficient financial management paralyses the activity of the firm. The subject matter of financial management has been defined in many ways depending upon the study of the subject.

"Financial management involves the solution of three major decisions. The investments decision the financing decision and the dividend decision". "Financial management involves decision on rising financial resources and that specific use, which means that financial management, must be sensitive to the proper use of funds in the most promising investment opportunities, taking in to consideration the expected return and risk". Finance is the procurement (to get, obtain) of funds and effective (properly planned) utilization of funds. It also deals with profits that adequately compensate for the cost and risks borne by the business.

1.1 Statement of the Problem

In terms of distribution of industries in manufacturing sector, the cement industry is one of the most significant industries. The cement industry is selected for research due to several important reasons.

Cement is a basic core product, essential for building our nation and its growth is intrinsically linked with the overall growth of the economy and more importantly with the growth of the infrastructure sector. The lack of adequate roads, port, power, and other infrastructure could prove to be a big hindrance to the rapid growth of the country.

1.2 Objectives of the Study

- To know the profile of the company
- To analyze the financial statement of the company.
- To offer suitable suggestions based on the above study.

1.3 Company Profile

The year was 1946. The Second World War was over and political freedom was round the corner. It was then The India Cements Ltd. began its humble moorings in the form of a cement factory at Talaiyuthu, an almost unmapped tiny hamlet in Tirunelveli district, Tamil Nadu. As one of the oldest Indian corporates, established in 1946, the company set up its first plant in 1949 at Sankarnagar (Talaiyuthu).

The India Cements Ltd. is indeed a pioneer enterprise during the post-independence era to become a public limited company. The first annual report appeared on 21.4.1947. The company's prospectus was favourably received and the public issue was oversubscribed.

1.3.1 Brands

- Sankar Super Power
- Coromandel King
- Raasi Gold

Table No.1
Current Ratio of ICL for the Period of 2004-05 TO 2013-14

Accounting Year End	Current Assets	Current Liabilities	Current Ratio
2005	386.26	539.72	0.7156:1
2006	457.21	495.09	0.9234:1
2007	724.86	463.82	1.5628:1
2008	669.55	1143.36	0.5855:1
2009	750.30	1342.01	0.5590:1
2010	956.07	1454.10	0.6574:1
2011	804.46	1335.08	0.6025:1
2012	738.51	1781.56	0.4145:1
2013	966.39	1819.64	0.5310:1
2014	976.49	2159.52	0.4521:1

Source: The India Cements Annual Reports (Year 2004-05 to 2013-14)

Mean	743.01	1253.39	0.70
Standard Deviation	191.92	565.27	---
Co-efficient of Variation	25.83	45.09	---
Compound Growth Rate	9.72	14.87	---

The table 1 deals with the current ratio from the year 2005-06 to 2013-14. The current ratio of 0.2:1 is considered ideal. The current ratio for the year 2005-06 is 0.7156:1. The current ratio for the subsequent years was 0.9234, 1.5628, 0.5855, 0.5590, 0.6574, 0.6025, 0.4145, 0.5310, and 0.4521. Though the current ratio was declining, it showed a positive growth than the ideal current ratio. Therefore the liquidity position of the company was found to be satisfaction. The mean value of current ratio showed an average of 0.7003.

The current assets showed more standard deviation than the current liabilities. The co-efficient of variation of the current assets is 25.8300 which is less than the current liabilities which is45.0992. The CGR showed a percentage of 9.92 percent for current assets and 14.87 percent for current liabilities. The more growth in current liabilities should be taken care by the organization.

Table No. 2
Debt Equity Ratio of ICL for the Period of 2004-05 to 2013-14

(Rs. In lakhs)

Accounting Year End	External Equities	Internal Equities	Debt equity Ratio
2005	1987.24	363.01	5.4743:1
2006	1525.24	885.99	1.7215:1
2007	2058.76	1386.55	1.4848:1
2008	1811.51	2596.81	0.6975:1
2009	1988.03	2965.46	0.6703:1

2010	2132.73	3528.27	0.6044:1
2011	2456.07	3539.66	0.6938:1
2012	2268.59	4067.62	0.5577:1
2013	2754	4089.64	0.6734:1
2014	2666.64	3851.27	0.6924:1

Source: The India Cements Annual Reports (Year 2004-05 to 2013-14)

Mean	2164.88	2727.42	1.33
Standard Deviation	361.04	1306.47	---
Co-efficient of Variation	16.68	47.90	---
Compound Growth Rate	2.98	26.64	---

The table 2 deals with the year 2005 – 2014. The dept. equity ratio of the company in 2004-05 was about 5.47 and it has gradually decreased in the subsequent years and in the years 2011- 12 it has reached a minimum level of 0.55.

The mean value of the dept. equity ratio showed an average of 1.33.The external equities showed less standard deviation then the internal equities. The co-efficient of variation the external equities is 16. 6771. Which is less than the co-efficient if variation of internal equities which is 47.9013. This position implies that there exists more consistency among external equities then internal equities. The CGR showed a percentage of 2.98 for external equities and 26.64 percent for internal equities. The growth in internal equities in satisfactory for the internal equities.

Table No. 3
Net Profit Ratio of ICL for the Period of 2004-05 to 2013-14

Accounting Year end	Net profit after tax	Net sales	Net profit ratio
2005	4.58	1162.14	0.3941
2006	45.31	1541.75	2.9388
2007	478.83	2255.21	21.2321
2008	637.54	3044.25	20.9424
2009	432.18	3358.34	12.8688
2010	354.34	3687.06	9.6103
2011	68.10	3413.29	1.9951
2012	292.97	4203.40	6.9698
2013	163.55	4597.04	3.5577
2014	-162.40	4440.88	---

Source: The India Cements Annual Reports (Year 2004-05 to 2013-14)

Mean	231.5	3170.33	8.05
Standard Deviation	212.84	1123.24	---
Co-efficient of Variation	91.94	35.43	---
Compound Growth Rate	42.88	14.35	---

The above table 3deals with the net profit ratio for the year 2004–05 to 2013–14. The net profit ratio from 2006 – 07 to 2007 – 08 was an average of 20 percent. In the year 2010 to 11 it has declined to 1.99 percent. This was due to over stock, lower price and international market competitions. In the last year it showed a net loss.

In the mean value of the net profit ratio showed an average of 8.05 percent.

The net profit showed less standard deviation than the net sales. The co-efficient of variation the net profit is 91.94 percent which is more than co- efficient of variation of the net sales which is 35.43 percent. This position implies that there is less consistency among net profit then net sales. The CGR showed a 42.88 percent for net profit and 14.35 percent for net sales by the company.

RECOMMENDATIONS

- Current ratio of the company must be increased so that liquidity position of the company would be better.
- The management of the company should pay adequate attention in terms of cash position.
- The inventory contents in the current assets also to be monitor the near feature.
- It is advisable for the management of the company, to keep an optimum investment in fixed assets.
- It is advisable for the management of the company, to meet the interest obligations as it is primarily focuses the company's the short-term liquidity to meets interest obligations.

CONCLUSION:

Finance is the life blood of any business. Financial Management is an integral part of management which helps to raise resources for effective utilization in order to maintain adequate liquid assets and maximize profits. India cement Limited group India's largest sectors which has excelled in its financial performance is ranked second in the top ten companies in India. The overall financial analysis reflects a superior financial performance with improvement in sales, exports and profit after tax. The company maintains stable earnings without extensive liabilities and pays dividends regularly. India cement Limited continues to play a pivotal role in the growth of India's economy and endeavor's to contribute to the nation's progress.

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